

Town of Milton
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**TOWN MANAGER'S
MONTHLY FINANCIAL REPORT**

For the period ending 1/21/12:

The following report is an un-audited account of finances.

Summary

The most notable occurrence of the January Statement of Revenue and Expenditures is the receipt of Property Tax Revenue. It is anticipated that total property tax receipts will be \$804,000 during the 2011-12 fiscal year. This represents fifty-nine percent (59%) of all revenue projected for the Operating Budget this year. By the time that the second quarter is complete, most of this revenue will have been collected. This category is an exception to the rule regarding the proportional share of revenue or expense that should be realized – relative to the time that has passed in the current fiscal year.

The Effect of Changes in Reporting Methods

In the past few months, the same table (below) has been presented so that the reader can make a comparative review of activity. The comparison between the current and last fiscal year, however, is inherently inaccurate because the method of reporting was changed from an accrual basis (last year) to a cash basis (this year). The difference is more pronounced during this period because Property Taxes are billed at this time of year.

The accrual method of accounting is the preferred method for governments. Reports such as the “Report of Revenue and Expenditures” (our point of reference) will state the full amount of revenue expected from a billing or expense expected from an invoice for goods or services. Cash Basis accounting is how individuals and small businesses report financial activity. Cash Basis accounting only shows what has changed *with the cash*.

The consequence of this change is that current receipts of Property Tax, Utility and Trash service payments are compared to *what was billed* in the prior year. This makes the current year appear to be quite inconsistent with the prior year’s performance (see the chart below).

| Type | Prior Year | Current Year | Prior Year Cash | Difference (Prior Accrual vs. Prior Cash Basis) |
|--------------------|--------------|--------------|-----------------|-------------------------------------------------------|
| Property Tax | \$635,853.74 | \$7,057.06 | \$48,569.75 | \$587,283.99 |
| Rents – Water | \$240,962.51 | \$182,704.73 | \$190,006.04 | \$50,956.47 |
| Trash – Coll. Rev. | \$104,600.00 | \$90,137.05 | \$74,198.37 | \$30,401.63 |

Property tax billing this year was delayed due to the desire for information about the Water System Improvements Referendum to be included with the mailing. This will not affect the total receipts. Ninety percent of the property tax receipts occur outside of the January reporting period.

General Fund Comparison (with adjustment)

In addition to the difference between the accrual and cash values for Property Taxes, adjustments were necessary for the Interest Income and Tax Interest Revenue line items (for the table below). Water Rents and trash Collection revenue appear outside of the General Fund part of the Statement of Revenue and Expenditures. The total adjustment was (593,833.26). There may, however, be other line items which are similarly affected by the change of reporting methods.

| Type | General Fund + | General Fund - | Same Period Prior Year | Annual Budget FY 2011-12 |
|----------------------------|--------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------|--------------------------|
| All Revenue ytd | \$242,309.55 | | \$171,815.16 | \$1,352,175.00* |
| All Expenditures ytd | | \$551,936.72 | \$447,443.28 | \$1,371,293.66 |
| Difference from prior year | \$70,949.39 + (more revenue than same period in the prior year) | \$104,493.44 (more expenditures than same period in the prior year) | \$33,544.05- (net effect of both changes to the General Fund) | |

*The budgeted annual revenue for the General Fund differs from that which was posted in reports since the beginning of the fiscal year. The \$22,500 Police Grant from Sussex County was moved from the General Fund to a Grants Fund.

Department-level Comparisons

| Department | Highlight Category | Prior Year Expense | Current Year Expense | Difference |
|----------------|---------------------------------------------|--------------------|----------------------|--------------|
| Administration | All categories | \$148,890.21 | \$110,184.41 | -\$38,705.80 |
| Streets | All categories (paving project excluded) | \$13,864.07 | \$10,464.21 | -\$3,399.86 |
| Police | All categories | \$247,918.38 | \$302,582.08 | +\$54,663.70 |
| General | All categories | \$2,374.78 | \$1,087.86 | -\$1,286.92 |
| Parks | All categories | \$7,822.33 | \$7,879.19 | +\$56.86 |
| Code | All categories | \$26,573.51 | \$49,537.27 | +\$22,963.76 |

| Department | Highlight Category | Prior Year Revenue | Current Year Revenue | Difference |
|----------------|-------------------------------------------------|--------------------|----------------------|--------------|
| Administration | | \$115,922.42 | \$76,677.65 | -\$39,244.77 |
| Streets | | \$0 | \$12,241.91 | +\$12,241.91 |
| Police | Grants (not including County grant), fines, etc | \$30,500.18 | \$35,368.94 | +\$4,868.76 |
| Code | | \$11,383.98 | \$97,894.16 | +\$86,510.18 |

More for Our Money

In April, we will enjoy our peak annual cash reserves. A projection of funds needed for operating expenses will enable the town to bank reserves in a secure, yet higher interest rate, security such as a Certificate of Deposit. Maturity periods as short as four weeks can ensure liquidity.